

Health Care Reform and the Deficit:

The Congressional Budget Office (CBO) reports that health care reform legislation ("Patient Protection and Affordable Care Act") would, over the next 10 years, cost about \$950 billion, as scored by CBO it would raise revenues and lower costs, it would also lower federal deficits by \$138 billion.

Somehow, a law that sets up two new entitlement programs — health insurance subsidies and long-term health care benefits — and alters another entitlement program will improve the nation's bottom line?!?

The bill front-loads revenues and backloads spending. Taxes and fees begin immediately, but its new subsidies are deferred so that 10 years of revenue will be used to pay for 6 years of spending.

One of the primary cost-control mechanism and long-term revenue source for the program is the tax on "high-cost plans" effective in 2018 (**note** – during the 1st term of a future President that would follow Obama including if Obama is reelected for a 2nd term and four Congressional elections from now).

The financial sustainability of the entire law rests on the hope that a future Congress and President will accept tax increases the current Congress and President wouldn't.

The legislation cuts \$463 billion from Medicare spending and uses the revenues to finance insurance subsidies despite Medicare's unfunded liability of \$38 trillion.

The Chief Actuary of the Medicare program said that these cuts are unrealistic because they would continuously cut reimbursements without touching the actual costs of providing care.

CMS expects as many as 20% of doctors and hospitals would be driven into serious financial distress.

The New England Journal of Medicine reported (3/17/2010): 46 percent of general practitioners believe they will be forced out of medicine AND without these Medicare cuts; the health care law is a long-term budget buster.

CBO also said the healthcare bill's \$138 billion in savings over 10 years would disappear if the government extends the current Medicare doctor payment rate instead of allowing it to expire (resulting in a 21% cut in reimbursements to Doctors).

Congress agreed to fix the reimbursement issue in a separate bill this April and to waive its own "pay-go" rules.

The Doctor fix will, over the next decade, increase actual healthcare spending billions higher than projections. This added cost more than wipes out any purported savings in the bill.

President Obama claims the projected deficit savings (\$1.1 trillion) from health care reform will all come to pass over the next 20 years (fully implements the half-trillion in Medicare cuts and half-trillion in new taxes).

However, CBO says that the President underestimated the deficit his ten-year budget submission over the next 10 years—by \$1.2 trillion.

Even if the President's projected deficit savings (\$1.1 trillion) all come to pass over the next 20 years they won't even make up for the additional \$1.2 trillion in deficit spending during the next ten years.

The federal deficit is now projected to exceed \$700 billion every year over the next decade, nearly doubling the national debt to \$9.8 trillion and to \$20 trillion after 2020. By comparison, from 1789 to 2008, the country accumulated only \$5.8 trillion of public debt.

Federal debt will rise from 40 percent of GDP in 2008 and then, rise to 87 percent of GDP in 2020.

Reforming the way government collects and spends revenue is inevitable.

The national debt has become a national political issue.

CBO forecasts under any scenario our debt will balloon to \$20 trillion over the next decade – and that forecast assumes no recessions, no new wars, and no new financial crisis.

Following two months of intensive marketing by the administration and Congress on the new healthcare law, the Patient Protection and Affordable Care Act, a Kaiser Family Foundation survey released at the start of this month found support for the new law, which was never a majority of the public, has changed little since March.

If anything, the intensity of support has waned and the intensity of opposition has increased, despite efforts by Democrats to spotlight its immediate benefits.

After a year of debate, Democratic leaders with every communication advantage and control of every branch of government have not only lost legislative momentum, they have lost a national argument over healthcare reform.

In response, this month the White House announced a \$125 million campaign to defend health reform reflects urgency among Democrats to explain, defend and depoliticize health reform now that people are beginning to feel the new law's effects.

When the year started, it was kicked off with “jobs, jobs, jobs” mantra. So far, the result has been to call just about every legislative measure from healthcare to climate change, to energy retrofitting to tax extenders a jobs proposal. Everything is a jobs bill. It turns out that all of the talk about the need for a “temporary” stimulus measure was just that: temporary talk.

The public is recoiling as it perceives Washington is doing too much, too fast, too soon spending money at alarming speed.

Today, the country is moving away from big government, with distrust growing more generally toward the reach of government in people's lives.

By attempting so much, so fast, the administration has created uncertainty, at a time when people are clamoring for certainty.

Uncertainty is an invitation to defer decisions.

Companies are worried about what their health care costs are going to be.

With the looming expiration of tax cuts, nobody knows what their tax liability will be.

Energy costs - nobody knows.

Health care costs will increase, not decrease in the near-term.

The cloud of uncertainty created by Washington's bid to reorganize wide swaths of the U.S. economy, hangs over the economy.

The result: Job creation is on hold.